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UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Adjustment Administration,
Information and Publicity Division,
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TO FARM JOURNAL EDITORS:

The information which follows was selected and arranged for your use.

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Purpose of the Act
Checks with the Results.

Reports from scores of county agents in various States throughout the cotton belt, relayed to Washington through the State extension offices, disclose interesting facts concerning the way the millions of dollars of cotton benefit payments are being spent. These reports indicate emphatically that the actual results of the government's efforts are exactly in line with the stated purpose of the Act "to relieve the existing national economic emergency by increasing agricultural purchasing power ----"

The purpose was stated last May when the Act was signed. The results are now on record. And they coincide.

Following are excerpts at random from some of the scores of reports that have come in from the cotton belt recently. These reports indicate that the farmers are using their money first to pay off their debts and taxes and then to buy clothing and automobiles and farm machinery and pay for building repairs. Page after page of these reports enumerate the ways the farmers are spending their money and they all seem to follow the same program of spending as indicated above.

"Most of our farmers are using their benefit payments to pay their Crop Production Loans. Much of this money, however, is being spent by our farmers to purchase the necessities for their families such as clothes and shoes." Greenville, So. Car.

"The distribution of this money in Kershaw County, So. Car. is putting money in circulation here. It has had a great effect on the morale or psychological condition of our farmers and people in general, and the general economic atmosphere has cleared up since the distribution of these benefit payments has begun."

"Pope County, Arkansas, farmers first paid their production credit loans, many of them hanging over since 1930. Next hundreds of farms have been redeemed by paying taxes. Many a farmer has carried his check to the sheriff and redeemed his home. Three of the largest clothing stores report their sales are

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better than they have been since 1929 and they give the increased payment from cotton as the main cause."

"Eastland County (Texas) farmers utilized their cotton benefit checks mainly as money, a commodity of which they had seen very little during the past few years."

(Note. The enclosed bulletin "Dollars to Farmers Boom Business" discusses these results further. We will be glad to send you additional copies of this bulletin if you can use them.)

The Profit System

A major objective of the Roosevelt Administration is an effort to preserve the profit system by eliminating its worst evils and increasing its advantages to the people as a whole, said Jerome N. Frank, general counsel of the Agricultural Adjustment Administration, speaking before the Association of American Law Schools in Chicago, December 30.

"The majority of the American people are still devoted to the profit system. They still believe that there is substantial worth in using the desire for individual profit as one of the important incentives in getting done the necessary work of the world. Although the profit system, as it has worked recently, seems to have worked poorly, most Americans believe that, properly controlled, it can work well. As long as the majority of the American people continue to cherish that system, it would be impossible, even if it were considered desirable, to abandon it completely in favor of another system. To do so would be to fly in the face of our current folkways. The course of the wise statesman today is clear, if he wishes to avert complete breakdown. He will seek, so far as possible, to eliminate the evil aspects of the profit system. He will give that system a fair trial.

"For the truth is that the profit system has not heretofore been given a fair trial. As I see the New Deal it is to be an elaborate series of experiments which will seek to ascertain whether a social economy can be made to work for human welfare by readjustments which leave the desire for private financial gain still operative to a considerable extent. It will permit the profit system to be tried, for the first time, as a consciously directed means of promoting the general good."

But the real enemies of the profit system and those who are making the Administration's task most difficult, Mr. Frank said, are those who resist all attempts at reform and devote all their efforts to the perpetuation of all features of the existing system, without any abatement of its worst evils. Mr. Frank calls these opponents of reform the real "radicals" whose efforts, if successful, might lead to a destruction of the present social order.

"I cite the following as an illustration of the extreme and absurd character of their opposition to changes in what they consider the sacredness of the old order: There is an industry the components of which have frequently been in the courts with respect to their alleged violations of the anti-trust laws. They have asked the Secretary of Agriculture to enter into an

agreement with them which would grant them substantial exemptions from the rigors of the Sherman Act. It has been suggested that if those exemptions are granted to that industry, thus reversing a forty-year-old governmental anti-trust policy, the Secretary should reserve the right to examine their books (of course, keeping confidential the information he thus obtains), since in no other way than through such access to the books can he accurately ascertain whether and to what extent the industry exercises these exemption privileges in the interest of or adversely to the farmers and consumers. This right to examine books has been generally asked by the Agricultural Adjustment Administration of industries seeking such exemptions, and, this right has been generally granted. Yet this particular industry has repudiated the suggestion that it be treated in like manner, intimating that those who advocate such book examination are dangerous revolutionaries who are seeking to subvert the fundamental principles on which American business has been conducted and threatening to overturn the profit system in toto. Their attitude is almost humorous when it is remembered that the Bureau of Internal Revenue already has complete access to their books. This kind of resistance to such moderate measures is indicative of the die-hard Bourbonism which condemns any change as dangerously destructive. For it indicates that there are still some rock-ribbed standpatters in this country who have forgotten all too soon the disastrous adventures of Insull and Kreuger, the closing of the banks, the shutting down of schools, the horrors of unemployment, the outrageous consequences of an unplanned economy to millions of farmers and their families."

Davis Speaks

(The following are extracts from a talk made by Chester C. Davis, Administrator of the Agricultural Adjustment Act, before the American Farm Economic Association, in Philadelphia on Dec. 27.)

The benefit payment is more than an installment method of discharging an overdue debt to farmers. It provides the machinery which was so sadly lacking in the Farm Board's operations. All farm economists know that in raising farm income some effective means to place a check upon production is essential. With millions of producers competing individually with each other, agriculture can have no instrument of production control such as that attained by closely knit industrial organizations, unless the Federal government supplies it. Exhortation and co-operative marketing were proved by the Farm Board experiment to be insufficient substitutes for such a Federal instrument. The adjustment payment supplies that lack. By making these payments only to those farmers who co-operate in adjusting their production, the Adjustment Act has provided a skillful method of identifying the interests of the individual with those of the group. The benefits are estimated to assure substantially better returns to those farmers who join in adjustment programs than to those who refuse to join. Such is the benefit payment - an equitable compensation for service rendered, and in addition an instrument of hopeful experiment in the direction of economic and social control.

The crowning argument for the fair exchange value plan and the benefit payment is that they work. The wheat plan and the cotton program in the South have provided our crucibles - our laboratories - for the first test under the Act. The results have been astonishingly successful. We got a better sign-up than we hoped for in the South. The effects on cotton prices were

highly beneficial. As for wheat, first official estimates by the Federal Crop Reporting Board show that in the principal winter wheat producing States, in spite of the enormously advertised plan to raise prices, overwhelming cooperation of farmers has resulted in an actual and substantial acreage reduction - to be sure, not so much as we asked for, but still substantial. For the winter wheat country as a whole we have attained an average 7 per cent reduction from the three-year base acreage. The regions showing gains were chiefly those where dairy and mixed farming is dominant, where wheat is unimportant, where the sign-up percentage was small, and where low dairy or other prices and the absence of a real program for the dairy industry at the time of the sign-up apparently contributed to a drift back into wheat production.

Report Hog Buyers Who Deduct Processing Tax

Local hog buyers, small processors and others who purchase live hogs for slaughter and who deduct all or a part of the processing tax from the market price quoted to the farmer are penalizing the farmer and should be reported at once, according to a statement made recently by Secretary of Agriculture Wallace.

"There is absolutely no excuse for such a practice and farmers should refuse to sell to any buyer who makes or proposes to make such deductions," said the Secretary.

"Country buyers who deduct the tax from the price offered farmers and who then resell the live hogs to another person or processor, simply are taking advantage of the farmer to realize a larger profit.

"Names of hog purchasers following this practice, together with full particulars on individual cases should be forwarded immediately to Dr. A. G. Black, chief of the corn-hog section, Agricultural Adjustment Administration, Washington, D. C. The Administration will use all powers under existing law to prevent fraudulent practices in connection with the collection of processing taxes."

Administrative Rulings Interpret Corn-Hog Contract

The corn-hog contract itself, on account of its brevity, requires some interpretation with respect to the varying individual situations encountered among the several million corn and hog farmers who are interested in the hog program, and consequently a series of administrative rulings have been made by the Secretary of Agriculture, designed to provide uniform and specific interpretation. These administrative rulings are in the hands of campaign workers throughout the United States and will enable them to furnish complete information concerning the corn-hog program to farmers who are interested.

These Administrative rulings contain, among other things, the following:

Producers who sold sows due to farrow during the emergency hog marketing program last fall may add four pigs to their average number of hogs produced for market, upon supplying satisfactory evidence that the market premiums actually were paid.

If the farm to be covered by a corn-hog reduction contract is to be rented by the owner to a tenant who has not yet been obtained at the time of signing the contract, the landlord may sign the contract. The contract then will be kept on file in the county committee's office until a tenant has been obtained. No contract shall be recommended by the county allotment committee for acceptance by the Secretary if it appears that no tenant was obtained for 1934 in order to deprive the actual producer on the farm of a share of payments under the contract, or if it appears that the owner or landlord has adopted any device for the purpose of depriving the actual producer on the farm in 1934 of his share of such payments.

In all cases where corn used for silage is included in the 1932-33 average corn acreage entered in the contract, the producer must fill his silo in 1934 to the average level to which the silo was filled in 1932-33.

The contracting producer is exempt from corn reduction if the average planted acreage of corn on the land, exclusive of corn for silage or cut green, during the past two years has been less than 10 acres. A contract producer is exempt from hog reduction if the average number of litters owned by him when farrowed during the past two years (December 1, 1931 to December 1, 1933) are less than four. If the average number of 1932-33 litters is three, the contracting producer may reduce, if he desires, and receive proportionate reduction payments. If the average number of litters is less than three, the producer is not required to reduce and will not receive payment for reduction.

A National Plan For Citrus Fruit Industry

Operation of a national citrus fruit stabilization plan has been made possible through approval by Secretary Wallace of a marketing agreement for the citrus fruit industry in Texas. Similar marketing agreements for oranges and grapefruit for the Florida and the California-Arizona regions have already been approved and are in effect. The Texas agreement now makes the plan national in its effect.

The agreements seek to increase returns to growers through regulation of supply. Under the national plan proration of shipments is made possible and since it was signed by shippers handling 87 per cent of the total citrus fruit moved from Texas it is effective. Every shipper must apply for an allotment in order to secure an allotment to ship. Allotments of quantity as to variety, grade and size are to be made. Penalties for exceeding allotments are provided for in the agreement.

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Wheat Checks Total \$20,000,000

Wheat adjustment payments made by the Agricultural Adjustment Administration up to January 4, 1934 total \$20,221,044. This money has gone to 272,083 growers in 34 states, and is more than one-fourth of the total of the first installment to be paid to wheat growers who are co-operating in the government's wheat acreage control program.

A total of 1430 counties, out of the 1500 counties participating in the wheat program have been approved by the county acceptance unit up to January 4.

